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FISCAL IMPACT STATEMENT

LS 6133

BILL NUMBER: HB 1023

NOTE PREPARED: Jan 9, 2013

BILL AMENDED:

SUBJECT: Partial Unemployment Benefit.

FIRST AUTHOR: Rep. Culver

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes a partial unemployment benefit for an individual who accepts work that pays less than the individual's unemployment benefit.

Effective Date: Upon passage.

Explanation of State Expenditures: The impact on the state would be as an employer and also as the administrator of the Unemployment Trust Fund. The impact on the state as an employer would likely be small.

(Revised) *Trust Fund Impact:* The bill may decrease expenditures from the Trust Fund if claimants accept work paying less than their benefits. If a claimant works and receives pay less than their weekly unemployment benefits, the Trust Fund would pay benefits equal to the difference in the person's pay minus their weekly benefit plus \$40. The claimant may receive partial benefits for up to 13 weeks. The maximum length of unemployment benefits under normal conditions is 26 weeks. The impact would depend on the number of recipients that accept work for less than their benefits as well as the new weekly pay. The provisions under this bill are not available to those individuals who are eligible for existing unemployment insurance partial benefits (due to taking part-time employment or odd jobs while looking for full-time work).

Claims for state unemployment benefits average around 400,000 per year, with approximately 185,000 being approved for benefits. The maximum weekly benefit is \$390, the minimum weekly benefit is \$50, and the average benefit is at or around \$295. As the bill excludes those individuals accepting part-time work, it is appropriate to expect that standard full-time hours and minimum wage should be expected. In Indiana, the minimum wage is \$7.25 per hour, with premium pay after 40 hours of work per week. However, the average

work week for most Indiana workers is 35 hours per week. For the purposes of this bill, LSA assumes that individuals taking advantage of the partial benefit outlined in the bill will not work for less than \$254 (which is the weekly rate using \$7.25 per hour and a 35-hour work week).

A group of 1% of the individuals with continuing claims who receive the average weekly benefit for 13 weeks is estimated to cost the UI Trust Fund approximately \$7 M. As an illustration, if the partial unemployment benefit outlined in this bill acts as an incentive to 1% of individuals with continuing claims to accept full-time work that pays minimum wage, payments out of the UI Trust Fund could decrease by up to \$5 M. Any cost decreases in the bill are dependent upon the weekly wage accepted by workers who choose to take advantage of the provisions of this bill as well as the number of weeks that they are eligible to receive this partial benefit. For the purposes of this analysis, it was assumed that each qualified worker would utilize the program for the full 13 weeks.

The analysis assumes that the projected savings will be realized if the partial unemployment benefit acts as an incentive to those claimants who would not have otherwise accepted full-time employment. Consequently, the projected savings associated with the bill may be less to the extent that individuals would have accepted full-time employment for less than their weekly benefit without the incentive.

As of November 1, 2012, Indiana had \$1.763 billion in outstanding loans from the Federal Unemployment Account, which go to pay for expenses paid out of the Trust Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: The impact of this bill on local units would be as employers.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development, All

Local Agencies Affected: All

Information Sources: U.S. Bureau of Labor Statistics; *Indiana Unemployment Insurance 2011 Annual Report* (<http://www.in.gov/legislative/igareports/agency/dwd.html>); U.S. Department of Labor (<http://www.ows.doleta.gov/unemploy/finance.asp>; <http://www.ows.doleta.gov/unemploy/budget.asp>; <http://www.dol.gov/whd/minwage/america.htm#Indiana>).

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